

\$Mart News™

Volume 1, Edition 2

May 2000

"\$Mart News™" is a hit!

Comments about the premier edition of "\$Mart News™" have been extremely favorable. Created as our primary marketing tool, the newsletter has generated so much interest amongst state agencies, city/county governments and even equipment suppliers that requests for presentations and meetings have tripled. We can barely keep up!

With our customers' support, along with a little thing called "E-mail," the first edition of "\$Mart News™" has been electronically transmitted around the world. Both "**GS \$Mart™**" and "**Lease \$Mart™**" are Internet-based programs, which is our intent. So, please feel free to E-mail this and future editions to as many colleagues and friends you think might be able to benefit from the *State Financial Marketplace*. \$\$

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GS \$Mart™ Manager
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*The State Financial Marketplace is found at
www.pd.dgs.ca.gov or www.dgs.ca.gov/pd*

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Trick\$ of the Trade

Learn to Play the Game, and Win!

Patrick Mullen
GS \$Mart™ Manager

I'm sure you've heard the saying "There ain't no such thing as a free lunch." This phrase rings true in our personal and business lives, and it's a warning that should be heeded, especially when it comes to committing your agency to a financing transaction.

As many of you know, the Lenders/Lessors in both \$Mart programs are pre-approved to conduct business in the financial marketplace; they agreed to the State's terms and conditions, closing documents, and such. But buyer beware – there are a few "tricks of the trade" that you should know about so your final financing decision will be a well-informed one.

Prior to my joining the State of California over three years ago, I was on "the other side," working for a financing company that catered to governmental agencies. During my long tenure in the lending industry I learned every trick, every corner to cut, every way to make that extra buck, which is the case for all of us trying to get ahead. But now that I'm on this side, I take my years of training to task, making sure that offerings of various financing companies are not monetarily cushioned with non-truths, loopholes and hidden funding and closing costs.

Q – What are you saying? The \$Mart program's Lenders/Lessors are pulling a fast one on us?

A – No, not exactly. While a \$Mart-approved company may occasionally try to "cushion" a deal, this article is also meant as a guide for those outside, non-approved Lenders and/or Lessors who have been approaching agencies, offering their own financing alternative to the \$Mart programs.

Trick\$ of the Trade

Continued on page 3

Dollars and \$ense

Updates for \$Mart Lenders and Lessors

GS \$Mart™ – Attention Lenders

All Lenders are required to re-qualify for the GS \$Mart™ program by June 15, 2000. Check out the “Lenders Qualifications” page on our Web site for our requalification requirements. Those who do not complete this process by the deadline will be dropped from the program.

Once again, all Lender responses to the *Rate Quote Form* must be honored for 30-days from the date of the quote, and you must follow the guidelines as specified on the Web site – there are no exceptions. Agencies will be advised to disqualify a submitted rate quote that does not follow the required format, then forward the quote to us for further action.

RATE QUOTES MUST BE ALL-INCLUSIVE!

Believe it or not, there are several Lenders who are willing to chance their company’s standing in the GS \$Mart™ program by not adhering to this minor requirement. For those Lenders who always submit inclusive rates, thank you. Please be assured that we are addressing the negligence.

FYI - Lender name changes:

- \$ MLC Group *to* ePlus Inc.
- \$ Newcourt Financial *to* CIT Group

Lease \$Mart™ – Attention Lessors

\$Mart Roundtable is fast approaching. See announcement on page 3 for details.

Confusion **still** exists between the term for a lease verses a rental; any term less than one year is considered a rental, and thus, does not qualify under the Lease \$Mart™ program.

Two new Lessors have joined Lease \$Mart™:

- \$ Dell Marketing LLP
- \$ Xerox Corporation

\$\$



New\$ You Can Use

Updates for Customers of the \$Mart Programs

Read the article to the left, “Dollars and \$ense” – this information is just as important to you, as a customer, as it is to the Lenders and Lessors. If you encounter a Lender or Lessor not adhering to any of these routine requirements, please contact the appropriate \$Mart Manager immediately.

Both \$Mart Managers are happy to help you with your *Rate Quote Form* and in issuing your financing quotes. But keep in mind, neither \$Mart Manager can make the final determination on the selection of a Lender or Lessor; they can only make recommendations.

An *Opinion of Counsel* is necessary to fund a financing transaction, and the \$Mart Manager is responsible for securing this document. If you know you have a transaction that needs to be funded, please forward all purchase orders, ancillary documents including equipment bid information, to the appropriate \$Mart Manager immediately. An Opinion cannot be executed without copies of all final documents, including all amendments.

You are cordially invited to join our \$Mart Roundtable (see page 3). This is an unique networking opportunity to meet all the Lenders and Lessors, face-to-face. So we can be assured of enough seating, please contact a \$Mart manager to confirm your attendance.

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\$MART ROUNDTABLE

It's that time of year again – the **Government Technology Conference** is taking place, May 15-19, 2000, at the Sacramento Convention Center.

In keeping with \$Mart tradition, our first \$Mart Roundtable of the new millennium will be held on the Wednesday of the conference, May 17th, from 9:00 a.m. to noon at the latest (ending time is dependent on the final agenda and Q&A time). The location is at the Hyatt Regency Hotel, Regency D off the Grand Ballroom (first floor), 1209 L Street, Sacramento, 916/443-1234.

This meeting has proven successful in the past; it is the only time of year we have all of the \$Mart participating Lenders, Lessors, and procurement officials from our most active state agencies in one room. Agenda topics will include the dramatic response and interest of the new GS \$Mart Salvage Rider, the future of Lease \$Mart, the upcoming **REQUIRED** requalification process for all GS \$Mart Lenders and presentations on financing fuel cell technology and seat management.

We would love to have you join us. Please RSVP your attendance, and that of any guests you are bringing, to dahlynn.shiflet@dgs.ca.gov as soon as possible. See you there! \$\$

\$MART CALENDAR OF EVENTS

ASSOC. FOR GOVERNMENT LEASING & FINANCE (AGL&F) – 19TH ANNUAL SPRING CONFERENCE

PLACE OAKLAND, CALIFORNIA

DATE MAY 10-12, 2000

INFO (202) 429-5135

GOVERNMENT TECHNOLOGY CONFERENCE (GTC)

PLACE SACRAMENTO CONVENTION CENTER

DATE MAY 15-19, 2000

INFO (916) 363-5000

\$MART ROUNDTABLE

PLACE HYATT, REGENCY D, 1209 L STREET, SACRAMENTO

DATE MAY 17, 2000 – 9:00 A.M. – 12 NOON

INFO SEE ABOVE ARTICLE

Have a question for the State Financial Marketplace?
Contact a \$Mart Manager:

GS \$Mart™: patrick.mullen@dgs.ca.gov

Lease \$Mart™: dahlynn.shiflet@dgs.ca.gov

TRICK\$ OF THE TRADE

Continued from page 1

There are many ways for a financing institution to couch a particular quote and glean additional profit, and if you're not savvy in this area, you probably won't catch the trick. One very common example is an interest rate and monthly payment that don't correlate. A Lender/Lessor may show a low rate to catch your attention and business, but when the monthly payments are run through a business calculator the rate can be incorrect. Financing rates posted and quoted in both \$Mart programs are to be all-inclusive.

Q – “All-inclusive rate”—what does that mean?

A – An all-inclusive rate is the total interest rate to complete the particular financing. A Lender/Lessor may show one interest rate and then bury its extra costs, such as administrative charges and filing/closing fees, in their submitted rate quote and amortization schedule.

It's rather hard to catch this trick if you don't have access to a business calculator or aren't an Excel wizard. The easiest way to not be taken advantage is to base your financing decision on the lowest monthly payment quoted and not on the lowest quoted interest rate.

Another “trick” is partnering with a like-supplier, and having that supplier pressure the agency into only considering its “cooperating” finance company. For example, ABC Products is selling widgets to an agency, and they “coerce” the agency into going with XYZ Financing. Little does the agency know that both entities have a partnering agreement, or, in a few cases, are owned by the same parent company. This is where the games begin – ABC Products will, as a “good faith effort,” drop their quoted price per widget, then XYZ Financing will add a few points to their interest rate to recoup the price drop, passing the extra interest earned back to ABC Products. It is important to note that in both \$Mart programs, customers maintain the right to select any Lender/Lessor of their choice. If you're being strongly “encouraged” by a supplier to enter into a financing transaction with their lender, then let me know immediately. I'll be more than happy to help you challenge any tricks of the trade! \$\$

Work \$Marter, Not Harder

How the State Financial Marketplace Can Help

Dahlynn J. Shiflet
Lease \$Mart™ Manager

I once worked with someone who was more of a mentor than a colleague, always ready with a helpful tidbit of wisdom depending on the situation and mood. He once offered me one such valuable tidbit when I was in the throes of negotiating a large contract that was quickly heading south. I was frantic trying to figure out a way to save the deal. He said, “Dahlynn, work smarter, not harder.” Perplexed at first, I took his advice, stepped back from the problem and looked at all the angles, then came to a sound and logical solution that benefited, and pleased, all parties involved.

His sage advice couldn’t be more on target when it comes to civil servants such as ourselves – management expects more and more from us, but gives us fewer and fewer resources to help us meet their demands and expectations. That’s why the *State Financial Marketplace* is such a value-added resource for state agencies and local governments – we can save you both money AND time.

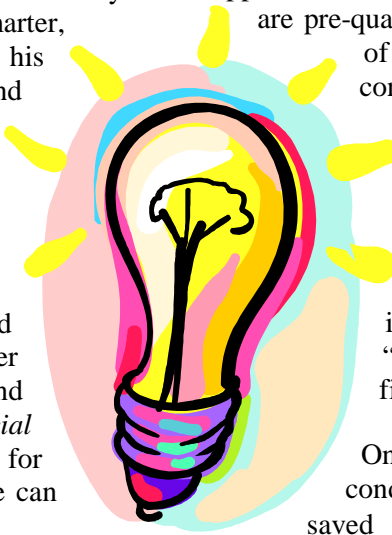
Let’s look at how typical procurements and financings were conducted just five years ago. A bid would be released for equipment, and if financing was desired, the bid instructed the supplier to secure financial backing. In essence, the state was relying on the supplier to broker a financing deal. Not knowing when the lengthy bid process would conclude and be awarded, or, as common in those days, if a protest would arise, the lender assumed “interest rate risk” often by padding the quoted

interest rate. It was not uncommon for interest rates to be three times higher than the going rate (based on US Treasuries). Besides the cost, the financial paperwork that accompanied the bid was long and confusing for government employees not accustomed to negotiating this type of language.

In 1995, the Department of General Services’ Procurement Division realized the need for a streamlined and efficient financial marketplace, and the **GS \$Mart™** program came to be. Now, financing can be added to an order, usually within 24 hours, as opposed to the many months it took in the past. Lenders are pre-qualified to conduct business with the State of California, have agreed to all terms and conditions, and can administer closing documents very quickly. Besides the ease of adding financing to a purchase order and the quick turn-around of the closing documents, the greatest advantage of the GS \$Mart program is the ability to take advantage of current interest rates, thus avoiding the padded “interest rate risk” found in former financing requests.

One of our most frequent customers conducted a survey regarding the time they saved utilizing the GS \$Mart™ program. Variables included the time saved on writing the bid’s financing language, negotiating the terms and conditions with the supplier and financial institution, and the generation of paperwork from the procurement office to the budget office to the State Controller’s Office. Their conclusion? They estimated total staff time saved was 72% per financing transaction!

Now I consider that working smarter, not harder, don’t you? \$\$



How to Reach Us:

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